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SOVIET UNION

1. Comment on appointment of new Soviet charge in Yugoslavia:

The appointment of S. P. Kirsanov as new Soviet charge in Yugoslavia may foreshadow a Soviet effort to resume normal diplomatic relations. Kirsanov was minister to Bulgaria from August 1945 to late 1947 and ambassador there until March 1948. He was chief of the Southeastern European department of the Soviet Foreign Ministry from March 1949 to August 1952.

It is unlikely that the USSR would go so far as to offer to reestablish closer economic and cultural relations, which could have serious repercussions throughout the Orbit. Probably realizing that Yugoslavia would reject any such attempts, the USSR is more likely to indulge in tactics designed to undermine Yugoslav relations with the West.

FAR EAST

2. Comment on prospects for new Japanese government:

The loss of control by Prime Minister Yoshida's Liberal Party of the top parliamentary positions in the Diet and the party's minority position in the Diet's standing committees emphasize the weakness of Yoshida's position as newly re-elected Japanese premier.

Yoshida is expected to seek the support of the Progressive Party in forming the new government, or failing this, to gain its cooperation from outside the cabinet. Business and financial interests have been exerting strong pressure for a rapprochement between the Liberals and the Progressives in the interests of a stabilized political scene.

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Should Yoshida and Shigemitsu, the leader of the Progressives, fail to agree on terms for cooperation, it is possible that one or more of the factions within the Progressives could be weaned away from their party to give Yoshida a tenuous working majority. In any event, the government seems destined for a short and stormy life.

3. Decline in Chinese Communist agricultural output foreseen:

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A decline in wheat production this year was predicted by Peiping in a 17 May broadcast which stated that poor weather had affected crops throughout China.

Comment: Wheat and other winter grains, due for harvesting soon, constitute 25 to 30 percent of China's total crops. Adverse weather also may have affected crops planted in the spring.

Although an increase of nine percent in grain production was planned for 1953, this report indicates that production may fall below the 1952 level. Peiping has reiterated the need for bumper crops to provide revenues and exports to support an expanded industrial construction program.

SOUTHEAST ASIA

4. Thailand to appeal to UN on Communist threat:

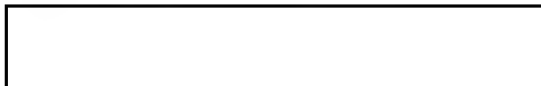
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Premier Phibun told Ambassador Stanton on 19 May that he and his cabinet have decided to place before the UN the threat posed to Thailand by the Communist invasion of Laos. Drafting of the resolution is now under way.

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Phibun said that the French ambassador, on instructions from Paris, was exerting great pressure to forestall Thailand's contemplated action.

Comment: Thailand's aim in approaching the UN would be to obtain a greater American or UN commitment to defend Thailand from any future Communist aggression.

5. Li Mi reportedly seeking to return to Burma:

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According to General Phao of the Thai police, General Li Mi has requested permission to return to his Mong Hsat base in Burma through Thailand. American ambassador Stanton advised Phao that permission should be granted only if Li indicated that he would facilitate the evacuation of his troops.

On 18 May the Chinese Nationalist assistant military attache in Bangkok said that Li's deputy in Burma had just cabled that "all loyal" Chinese Nationalist troops in Burma would evacuate "under proper orders."

Comment: Li's presence in Mong Hsat could contribute more than any other factor to a successful evacuation. There is much evidence, however, that with the support of Chiang Kai-shek, he would seek to prevent the mixed committee set up to consider the problem of evacuation from achieving any substantial success.

There is reason to believe that the Chinese Nationalist representative on the mixed committee is being used to mask the intentions of Li and Chiang not to permit the removal of the troops from Burma, despite his assurances to Ambassador Stanton that he has been instructed to do everything possible to implement the UN resolution calling for evacuation.

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WESTERN EUROPE

7. West German populace seen standing firm against Moscow's unity overtures:

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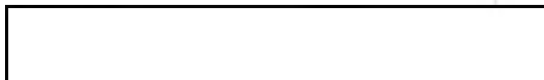


According to American officials in Bonn, West German public opinion would support an Allied rejection of any Moscow offer for a neutralized unified Germany. These

American officials declare that in the past year the West German populace has become convinced of the importance of ignoring Soviet unity offers which would leave Germany neutralized without general European disarmament. Even the opposition Social Democrats now admit that Germany must be armed.

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Comment: French foreign minister Bidault, fearing that Moscow might propose the unity of Germany at the price of its neutralization, plans soon to send a note to Britain and the United States recommending four-power talks with disarmament as the first agenda item followed by the Austrian and German problems.

Although West German opinion would probably support a rejection of a Soviet unity offer, there is still general public desire for four-power talks. Few West Germans, however, believe that such talks would result in an agreement.

8. Belgian EDC ratification seen unlikely before fall:

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[REDACTED] An influential and strongly pro-EDC member of the Belgian Chamber of Representatives' EDC committee considers ratification extremely unlikely before the fall session. He cited the possibility of peace talks, France's lethargic attitude, and Foreign Minister van Zeeland's equivocal support of the treaty as delaying factors.

He plans to present, on behalf of his party, a proposal endorsing the opposition view that the treaty requires constitutional revision, and believes that this will later assure ratification.

Comment: This is the first indication that the government may concede the need for constitutional amendment, which requires new elections.

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[REDACTED]